HEALTH POLICY AGENDA FOR THE EARLY 21ST CENTURY

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As the 20th century draws ever closer to its end, the following health policy issues command most of the attention at federal and state governmental levels, as well as in multiple sectors of the nongovernmental arena:

- There is growing evidence that the Health Care Financing Administration (HCFA) is encountering increasing difficulties in implementing the Balanced Budget Act of 1997, more specifically, in launching Medicare + Choice. The difficulties that it is encountering in implementing the new legislation can be traced to the complexities inherent in the drafting of the Balanced Budget Act. Alternatively, criticism could be levied at the Congress for cutting back on the funding required to speed the act's implementation; more simply, a friendly observer could proffer an explanation that reminded everyone that elderly beneficiaries have had little or no prior experience in making such complex health care choices.
- On June 25, 1998, the American Opinion Supplement of the *Wall Street Journal* used as its headline, "Health Care Is the Issue of the Decade: Anger with System Finds Pressure for 'Patients' Bill of Rights.'" One of the two front-page articles had the following title: "Americans Tell Government to Stay Out—Except in the Case of Health Care." As of the middle of July 1998, Congress had not yet concluded its deliberations and voted on the Patients' Bill of Rights, but the odds suggest that it will impose a number of restrictions that are favored by the public, even though these changes will add some additional costs to an already very costly health care system.

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- A congressional commission has begun work on exploring alternative financing and other changes in the Medicare program so that it can be positioned better to deal with the baby boomers who start to become eligible for coverage after 2011. It is problematic that Medicare can be made whole for the longer term without increasing the tax rate, without increasing the premiums on higher income beneficiaries for Medicare B, and without moving in the direction of making Medicare a defined contribution rather than a defined benefit system.
- Congress made many billions of dollars available to speed the health insurance coverage of low-income children, an effort that is proceeding with mixed results, with some states moving energetically to sign up the eligible uninsured, while other states appear to be dawdling.
- In shifting attention from Washington, DC, to state capitols, one finds most state health officials focusing on enrolling more and more of their Medicaid-eligible population in Medicaid managed-care arrangements. As of mid-1998, however, the outcome of these efforts is still far from clear. A considerable number of for-profit managed-care companies, which earlier had been enrolling Medicaid-eligible people, have decided to leave the field, and none of the large industrial states has moved very far as yet to contract with managed-care plans to care for the disabled and the elderly, who, although they account for only 30% of all Medicaid-eligible people, are responsible for about 70% of all Medicaid outlays.
- The last item on the health policy agenda at century's end can be described best as multiple organizational initiatives, primarily in the hospital and managed-care arenas, in which acquisitions and divestitures continue apace via new entrants, networking, mergers, and system building, as well as many sell-offs, withdrawals, and consolidations, with great variations in profits or losses in the short, middle, and longer terms.

It would not be difficult to identify, in addition to the six policy agenda items identified above, an equal or a greater number of items that would be recognized by many informed persons as significant issues, though possibly of lesser prominence. Since our central concern is to consider the health policy issues that are likely to command attention during the first decade of the next century, however, we turn our attention to them.

- The number of uninsured continues to increase and, when added to the estimated number of persons who are underinsured, brings the combined total to around 70 million, or about 1 of every 4 Americans. An increasing

number of employees, when offered an opportunity by their employer to obtain health insurance coverage, turn it down on the ground that it will prove too costly.

- Questions about the future number, training, and practice locations of physicians have attracted more attention in recent years. For example, the Pew Health Manpower Commission recommended in 1995 that 25 US medical schools be closed by 2005, and the American Association of Medical Colleges, the Council on Graduate Medical Education, and the American Medical Association have lobbied Congress to reduce the inflow of international medical graduates from its current level of about 30% of the annual graduates of US medical schools to 10% (Congress has not responded as yet). Conventional wisdom holds that the nation has too many specialists and, many would add, too many physicians overall, yet there remain 2500 underserved areas that have been unable to attract and retain a minimum adequate number of physicians. Additional funding is required to increase the incentives that the National Health Science Corps can offer, but the President has not requested significant new funding.
- The nation's leading academic health centers, which have played and continue to play the leading role in the training of physicians, advances in biomedical research, and innovations in patient care treatment (including providing charity care to a minority) increasingly are facing reductions in their prospective revenues. These reductions jeopardize their continuing ability to fund these "public goals"; that challenge is likely to worsen with each passing year.
- In the face of the mounting criticism of managed-care plans from both consumers and physicians, criticism that is being voiced against the background of the growing losses of the plans instead of the earlier profits that most managed-care plans enjoyed up to 1995, more satisfactory ways of controlling the rate of future price increases in health care must be explored and pursued. The health sector's exorbitant administrative costs offer an important target of opportunity, and a start has been made in a few health care markets, as well as under the new Medicare + Choice arrangements, to reduce and eliminate many in the middle between payers and providers. Nonetheless, one conclusion is reasonably safe—the long disconnect between demand for services and payment for them characteristic of the two decades following the introduction of Medicare will not re-emerge. Dollar controls will remain.

- With hospital capacity for acute inpatient care hospital now below the 60% level nationwide and as low as the 40% range in a few markets, it must be asked: What actions, if any, may be attempted and by whom if the overhang continues to worsen? There is a host of possibilities, including converting some of the hospitals into ambulatory care facilities or using the excess beds for less-acute care. States and the federal government might decide that it makes sense for them to pay off some of the existing debt in order to close unneeded facilities. There are many other options, but the point noted above is that the shrinkage of excess capacity left to the so-called market may not do what is needed in a realistic time frame.
- Another challenge, almost certain to be on the policy agenda and remain there throughout the decade, relates to the improved measurement of quality to a point at which providers and users of care will be able to weigh quality considerations in their decision-making and payment schemes. That the complexities of quality may not be resolved during the coming decade does not mean the US can turn its back on this challenge.

Once again, we have identified six important agenda items that are likely to command much of the attention and energy of the nation, particularly of its leadership groups, as they seek better informed answers as to how to provide access for all to essential care of good quality at a cost that government and the consumer will be able and willing to pay.

TWO OPPORTUNITIES NOT TO BE MISSED

The growing numbers of the uninsured and the underinsured lead to a distinct possibility that a governmental (federal plus state) system of universal health insurance (UHI) coverage for essential care will re-emerge on the nation's political agenda. If the nation were to enter a recession of some severity, with corresponding substantial increases in the number of unemployed and underemployed persons, Congress might have little choice but to pass new and costly health insurance legislation to provide temporary coverage. However, such emergency coverage would require new taxes or the acceptance of higher deficits and more debt. At that point, some of the leaders of Congress might recognize that there are sufficient governmental funds (federal and state) in the current payment system (over $600 billion in 1997, not taking full account of the federal tax subsidy for private health insurance payers and recipients of $100 billion annually) so that the long-time anomaly of the US being the only advanced nation without

UHI coverage for its population could be ended and the stage set for important collateral gains.

In introducing UHI for essential care for all, the federal plus state governments should stress that

- Individuals, of course, would be free to use their own funds or to bargain with their employers for more comprehensive coverage, including more choices and access to a wider range of treatment modalities.
- Henceforth, the rate of governmental spending for health care will be linked to increases in the gross domestic product, the only exception being if the economy goes into recession, in which case there would be no decline in governmental spending. The opportunity for government to take the lead in providing UHI, not having to raise taxes to fund it, and tying future governmental health expenditures to the rate of increase in the gross domestic product is an opportunity that even opinionated and headstrong political opponents should not miss.

The Robert Wood Johnson Foundation has been working diligently for several years to inform the American people and American health care leadership that the nation needs to focus more attention and action on improved treatment modalities for caring for the increasingly larger number of the population suffering from chronic illness(es). The looming rapid growth in the population over the age of 65 reinforces the importance of this message.

There is a parallel message from the public health community about the critical role that the individual's behavior plays in contributing to excessive morbidity and premature mortality. This message has made some, but not nearly enough, impact on the American people to encourage them to alter their behavior with respect to diet, exercise, smoking, drinking, driving, and sex because, over the course of a lifetime, such alterations will be of much greater importance in determining their health status, functioning, and longevity than will expanding their access to and use of curative medical interventions. True, the breakthroughs that loom ahead in genetic medicine may introduce a third important player into the improvement and conservation of the nation's health, but it is difficult to discern how individual behavior will not continue to be the principal contributor to how long a person will live and perform effectively.

A person's behavior is shaped by the sum total of influences and experiences that he or she undergoes at home, in school, in the community while growing up, and on the jobs that one initially secures and later experiences in the world of work and income. While a person's genetic endowment and early family

influences are potent determiners of her or his later behavior, the opportunities that a society provides for a healthy start, a supportive community, good educational opportunities, and an expanding economy are potent determinants of future behavior. Good health is in no small measure the good fortune of having been born into and reared in a supportive family and in a community that acts to help realize the American commitment of "equal opportunity for all." A healthy community will, for the most part, produce healthy people.